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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

eBay Inc. and Microsoft Corporation,)	No. 4:10-cv-4947-CW-LB (filed Nov. 2, 2010)
<i>Plaintiffs and Counterclaim-Defendants,</i>)	DEFENDANTS' COMBINED
vs.)	OPPOSITION TO KELORA'S MOTIONS
Kelora Systems, LLC,)	TO REVIEW THE CLERK'S ORDERS ON
<i>Defendant and Counterclaim-Plaintiff.</i>)	BILLS OF COSTS
)	Hr'g Date: No hearing will be held*
)	Judge: Magistrate Beeler [†]
)	(San Francisco)
Cabela's Inc.,)	No. 4:11-cv-1398-CW-LB (filed Mar. 23, 2011)
<i>Plaintiff and Counterclaim-Defendant,</i>)	(related case)
vs.)	
Kelora Systems, LLC,)	
<i>Defendant and Counterclaim-Plaintiff.</i>)	

* See Joint Stipulation and Order, Case No. 10-4947, ECF Nos. 176–77 (Aug. 6–7, 2012).

[†] Judge Wilken referred all motions concerning review of the Clerk's taxation of costs to Magistrate Beeler. See Case No. 10-4947, ECF No. 180 (Oct. 10, 2012).

Kelora Systems, LLC,

Plaintiff and Counterclaim-Defendant,

vs.

Target Corporation; Amazon.com, Inc.; Dell
Inc.; Office Depot, Inc.; Newegg Inc.; Costco
Wholesale Corporation; Hewlett-Packard
Company; Audible, Inc.; and Zappos.com, Inc.,

Defendants and Counterclaim-Plaintiffs.

No. 4:11-cv-1548-CW-LB (filed Nov. 8, 2010)
(related case)

NOTICE

In accordance with the Joint Stipulation and Order Changing the Briefing Schedule, *see* Case No. 10-4947, ECF Nos. 176–77 (Aug. 6–7, 2012), Defendants[†] hereby file this combined opposition brief to the motions that Kelora has filed in the three actions above concerning the costs awarded by the Clerk. For clarity, listed below are the ECF numbers for the Bills of Costs and motions by Kelora that are the subject of this combined opposition brief:

<u>Case No.</u>	<u>Party</u>	<u>Bill of Costs</u>	<u>Supporting Declaration</u>	<u>Kelora's Objections and Defs.' Response</u>	<u>Clerk's Taxation of Costs</u>	<u>Kelora's Motion to Review</u>
10-4947	eBay	ECF #159 (6/6/12)	ECF #161 (6/6/12)	ECF #168 (7/9/12)	ECF #172 (7/20/12)	ECF #174 (7/26/12)
	Microsoft	ECF #160 (6/6/12)		ECF #169 (7/9/12)	ECF #171 (7/20/12)	ECF #173 (7/26/12)
11-1398	Cabela's	ECF #132 (6/6/12), <i>amended</i> , ECF #150 (8/13/12)	ECF ##142–49 (8/13/12)	ECF #139 (7/9/12), <i>amended</i> , ECF #152 (9/6/12)	ECF #153 (10/10/12)	ECF #155 (10/17/12)
11-1548	Dell	ECF #487 (6/6/12)	ECF #487 (6/6/12)	ECF #501 (7/9/12)	ECF #508 (7/19/12)	ECF #518 (7/26/12)
	Newegg	ECF #488 (6/6/12)	ECF #488 (6/6/12)	ECF #500 (7/9/12)	ECF #509 (7/19/12)	ECF #520 (7/26/12)
	Amazon, Audible, Zappos	ECF #489 (6/6/12)	ECF #489 (6/6/12)	ECF #506 (7/9/12)	ECF #510 (7/19/12)	ECF #517 (7/26/12)
	Costco	ECF #490 (6/6/12)	ECF #490 (6/6/12)	ECF #505 (7/9/12)	ECF #511 (7/19/12)	ECF #516 (7/26/12)
	HP	ECF #491 (6/6/12)	ECF #491 (6/6/12)	ECF #504 (7/9/12)	ECF #512 (7/19/12)	ECF #519 (7/26/12)
	Office Depot	ECF #492 (6/6/12)	ECF #492 (6/6/12)	ECF #503 (7/9/12)	ECF #513 (7/19/12)	ECF #521 (7/26/12)
	Target	ECF #493 (6/6/12)	ECF #493 (6/6/12)	ECF #502 (7/9/12)	ECF #507 (7/18/12)	ECF #514–15 (7/25–26/12)

[†] eBay Inc.; Microsoft Corporation; Cabela's Inc.; Target Corporation; Amazon.com, Inc.; Dell Inc.; Office Depot, Inc.; Newegg Inc.; Costco Wholesale Corporation; Hewlett-Packard Company; Audible, Inc.; and Zappos.com, Inc.

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1 **I. INTRODUCTION**

2 As the prevailing parties in this action, Defendants are entitled to recover their costs,
3 including their e-discovery costs (which averaged approximately \$45,000 per Defendant). In the
4 Ninth Circuit, the test for whether a disputed cost is recoverable is whether the cost is for “physical
5 preparation” (which is recoverable) or for “intellectual efforts” (which is not recoverable). *See LG*
6 *Elecs., Inc. v. Bizcom Elecs., Inc.*, No. 01-1375, slip op. at 7:4–9:4 (N.D. Cal. July 21, 2005)
7 (Wilken, J.), *available at* Ex. P. The Federal Circuit recently applied Ninth Circuit law to conclude
8 that e-discovery costs **are** recoverable under 28 U.S.C. § 1920(4) and N.D. Cal. Civil L.R.
9 54-3(d)(2). *See In re Ricoh Co. Patent Litig.*, 661 F.3d 1361, 1365 (Fed. Cir. 2011); *see also Jardin*
10 *v. DATAlegro, Inc.*, No. 08-1462, 2011 WL 4835742, at *6–*9 (S.D. Cal. Oct. 12, 2011) (similar).

11 In spite of this law, Kelora takes the remarkable position that many Defendants should not
12 recover **any** of their e-discovery costs. Kelora relies primarily on two cases. First, Kelora relies on a
13 decision from the Third Circuit, *Race Tires America, Inc. v. Hoosier Racing Tire Corp.*, 674 F.3d
14 158 (3d Cir. 2012), *cert. denied*, 81 U.S.L.W. 3001 (U.S. Oct. 1, 2012) (No. 11-1520). But that
15 decision is not binding on this Court, conflicts with decisions from other courts of appeals —
16 including *In re Ricoh* which applied Ninth Circuit law — and Judge Hamilton in this district
17 specifically declined to follow the decision. Second, Kelora relies on the Supreme Court’s decision
18 in *Taniguchi v. Kan Pacific Saipan, Ltd.*, 132 S. Ct. 1997 (2012). But that decision concerned costs
19 for interpreters under 28 U.S.C. § 1920(6), not e-discovery costs under § 1920(4), and thus the
20 decision has little relevance to the issues now before the Court.

21 As explained in more detail below, the Clerk properly awarded Defendants all of their e-
22 discovery costs, and thus Kelora’s motions should be denied.

23 **II. FACTUAL BACKGROUND**

24 **A. Defendants were required to respond to Kelora’s many discovery**
25 **requests while their motion for summary judgment was pending**

26 This was a patent case. An overview of the patent-in-suit and the extensive litigation in this
27 Court involving the patent-in-suit can be found at the beginning of Defendants’ motion for summary
28 judgment. *See* Case No. 10-4947, ECF No. 94, at 3:12–15:8 (Sept. 15, 2011).

1 eBay and Microsoft commenced this litigation on November 2, 2010 — the same day the
2 reexamination certificate for the patent-in-suit issued — with the goal of invalidating the patent as
3 quickly as possible. To that end, eBay and Microsoft proposed a schedule permitting summary
4 judgment to be decided as quickly as possible, *before* extensive discovery costs could be incurred in
5 the case: “[W]e don’t want to have this case dragged on. I mean, discovery is expensive.” Hr’g Tr.
6 at 37:3–:4 (Mar. 17, 2011) [Case No. 10-4947, ECF No. 167]. Kelora resisted a quick schedule,
7 however, *see id.* at 37:13, and as a result, the motion for summary judgment of invalidity filed by
8 eBay and Microsoft (and all the other defendants, who had joined the case by that time) was not
9 decided until *after* the cutoff for fact discovery on February 3, 2012 — meaning Defendants incurred
10 the *full* cost of complying with Kelora’s comprehensive discovery requests before judgment was
11 entered in their favor. *See* Case No. 10-4947, ECF No. 59 at 10:6 (fact discovery cutoff on Feb. 3,
12 2012); *id.* ECF No. 153 (summary judgment granted on May 21, 2012).

13 While Defendants’ motion for summary judgment was pending, Defendants were required to
14 respond to all of Kelora’s discovery requests. Kelora did not make Defendants’ lives easy. Kelora
15 propounded over 50 burdensome document requests to each Defendant requiring the production of
16 electronically stored information. *See, e.g.,* Exs. B–C. Under the Federal Rules of Civil Procedure,
17 Defendants were required to produce this electronically stored information to Kelora. *See* Fed. R.
18 Civ. P. 26(b)(2)(B) & 34(b)(2)(E). Kelora never complained that Defendants were producing *too*
19 *many* documents; to the contrary, Kelora regularly and repeatedly complained that Defendants
20 needed to produce *more* documents, as shown by the numerous motions to compel filed by Kelora.
21 *See, e.g.,* Case No. 10-4947, ECF No. 137 (Kelora’s motion to compel production of emails); Case
22 No. 11-1548, ECF No. 405 (Kelora’s motion to compel information about unaccused websites); *id.*
23 ECF No. 411 (Kelora’s motion to compel financial information before 2010); *id.* ECF No. 437
24 (Kelora’s motion to compel information about subdomains of the accused websites).

25 After Defendants finally prevailed on their motion for summary judgment of invalidity,
26 judgment was entered in their favor, and that judgment included an award of costs. *See* Amended
27 Judgment (June 5, 2012) [Case No. 10-4947, ECF No. 158]. Accordingly, each Defendant filed a
28 Bill of Costs seeking recovery for (among other things) the e-discovery costs they incurred

1 responding to Kelora's document requests. The average amount requested by each Defendant for e-
2 discovery costs was approximately \$45,000, and the Clerk awarded the full amount requested by
3 each defendant. *See supra* p. iii (identifying all Bills of Costs awarded by the Clerk).

4 To give some perspective, \$45,000 in e-discovery costs is tiny compared to the overall cost
5 of patent litigation: "Patent litigations are among the longest, most time-consuming types of civil
6 actions. . . . [T]he costs of patent litigation are enormous with an average patent case costing
7 upwards of \$3 million for each side." *Ohio Willow Wood Co. v. Thermo-Ply, Inc.*, 629 F.3d 1374,
8 1376–77 (Fed. Cir. 2011) (Moore, J., concurring). Furthermore, as recently recognized by the
9 Federal Circuit Advisory Council, led by former Chief Judge Ware from this district, "Patent cases,
10 in particular, tend to suffer from disproportionately high discovery expenses." Ex. A at 1.

11 **B. The e-discovery costs that are the subject of this motion were incurred**
12 **producing documents in the format requested by Kelora**

13 At the beginning of this case, as required by Fed. R. Civ. P. 26(f)(3)(C), the parties met and
14 conferred to discuss, among other things, the format for producing electronically stored information.
15 The parties reached the following agreement, which is typical in patent cases:

16 The parties agree presumptively to produce non-source code
17 documents in an electronic format to be agreed upon (e.g., TIFF files
18 with a Concordance compatible load file) and to reasonably
19 accommodate one another's requests for OCR and load-file
20 information to allow processing of production documents by the
receiving party. Additionally, the parties agree to reasonably
accommodate one another's requests for production of certain
documents in native format, such as financial information in native
Excel format, to facilitate use by each party and their experts.

21 *See* Joint Case Management Statement at 8:8–:15 (Mar. 10, 2011) [Case No. 10-4947, ECF No. 38];
22 *see also* Case No. 11-1398, ECF No. 20, at 10 (similar); Case No. 11-1548, ECF No. 250, at 10
23 (similar).

24 Producing documents in electronic format (e.g., TIFF files with OCR information so that the
25 files are text-searchable, as was agreed upon by the parties in this case) is a complicated and
26 expensive multi-step process. The Federal Circuit Advisory Council, led by former Chief Judge
27 Ware from this district, summarized the process as follows:

28 ***Collection:*** Forensically sound (e.g., preserving the document date)
collection can require a trained specialist. Costs will include vendor

1 fees and/or licensing fees, and media related charges. Inactive data
2 requires restoration and software licensing fees.

3 **Processing:** Requires use of licensed assessment or review tools
4 (more than 1 tool are often used for this process). Expenses will
5 include data and text extraction, de-duplication, imaging fees, project
6 management time and potential hosting fees. Frequently includes
7 narrowing or broadening the scope of collection based on results.

8 **Review:** Requires continued hosting and licensing fees. Project
9 management time is necessary for database setup and management,
10 additional keyword filtering/assessment and searching. If human
11 review^[1] is involved, this is the largest area of cost.

12 **Production:** Requires any additional data and image conversion, text
13 extraction and/or appropriate language OCR generation. Tech time
14 will include dealing with problematic files (e.g., Excel). Also requires
15 endorsement and control numbering. Costs will also be incurred for
16 project management/tech time and media related charges.

17 **Post Production:** Project management and load time for importing
18 productions into production review tool or index. Additional costs for
19 associating native files to records.

20 Ex. A at 1 n.2.

21 Defendants complied with Kelora's discovery requests and produced documents in the
22 format requested, which as noted above cost each defendant an average of approximately \$45,000.
23 Now that Kelora has lost the case, Kelora argues that Defendants should not recover *any* of these
24 costs, even though it was Kelora who demanded production of these documents.

25 **III. ARGUMENT**

26 **A. The burden is on Kelora to show why costs should not be awarded to Defendants**

27 As the losing party, Kelora has the burden of showing why costs should *not* be awarded to
28 Defendants: "Rule 54(d) creates a presumption for awarding costs to prevailing parties; the losing
party must show why costs should not be awarded." *Save Our Valley v. Sound Transit*, 335 F.3d
932, 944–45 (9th Cir. 2003).

29 **B. E-discovery costs are recoverable under 28 U.S.C. § 1920(4) and N.D. Cal. Civil L.R. 54-3(d)(2)**

30 ¹ Defendants had attorneys review documents for privilege and relevance before those
31 documents were produced to Kelora, but Defendants' Bills of Costs did *not* seek recovery for those
32 expenses.

1 **1. The Federal Circuit’s decision in *In re Ricoh* allowed**
2 **recovery of e-discovery costs under Ninth Circuit law**

3 As recently confirmed by the Federal Circuit (in a case arising out of the Northern District of
4 California), e-discovery costs are recoverable under 28 U.S.C. § 1920(4) and N.D. Cal. Civil L.R.
5 54-3(d)(2):

6 The act of producing documents is not so narrowly construed as to
7 cover only printing and Bates-labeling a document. In the era of
8 electronic discovery, courts have held that electronic production of
9 documents can constitute “exemplification” or “making copies” under
10 section 1920(4). Notably, in 2008, Congress amended section 1920(4)
11 by replacing the phrase “copies of papers” with “making copies of *any*
12 *materials*” Judicial Administration and Technical Amendments Act of
2008, Pub. L. No. 110-406, § 6, 122 Stat. 4291, 4292 (emphasis
added), to reflect the idea that “electronically produced information
[is] [re]coverable in court costs,” 154 Cong. Rec. H10270, H10271
(daily ed. Sept. 27, 2008) (statement of Rep. Zoe Lofgren). Thus, the
costs of producing a document electronically can be recoverable under
section 1920(4).

13 *In re Ricoh Co. Patent Litig.*, 661 F.3d 1361, 1365 (Fed. Cir. 2011) (citations omitted).

14 **2. In the Ninth Circuit, the relevant test is whether the**
15 **disputed costs are for “physical preparation” (which is**
16 **recoverable) or “intellectual efforts” (which is not**
17 **recoverable)**

18 As recognized by the Federal Circuit and courts throughout California, the test in the Ninth
19 Circuit for whether a disputed cost is recoverable is whether the cost is for “physical preparation”
20 (which is recoverable) or “intellectual efforts” (which is not recoverable). *See In re Ricoh*, 661 F.3d
21 at 1365 (citing *Romero v. City of Pomona*, 883 F.2d 1418, 1428 (9th Cir. 1989)). Defendants only
seek to recover their actual costs for physical preparation, not for any intellectual efforts.

22 For example, in a recent patent case, this Court was confronted with the question of whether
23 the costs for computer animations should be deemed “physical preparation” (and thus recoverable)
24 or “intellectual efforts” (and thus not recoverable). This Court reviewed the Ninth Circuit cases and
25 found the costs recoverable: “Clearly, the Ninth Circuit allows taxation of the increased costs
26 associated with using modern technology for purposes traditionally permissible under § 1920(4).”
27 *LG Elecs., Inc. v. Bizcom Elecs., Inc.*, No. 01-1375, slip op. at 8:15–:18 (N.D. Cal. July 21, 2005)
28 (Wilken, J.), *available at* Ex. P. This Court reasoned as follows:

1 LGE does not dispute that the computer animation would have been
2 reasonably necessary to assist the jury in understanding the issues at
3 the trial. Despite its reliance on [*Romero v. City of Pomona*, 883 F.2d
4 1418, 1428 (9th Cir. 1989)], LGE also does not dispute that the
5 graphics professionals had no expertise in the substantive technology
6 issues, but instead relied on the intellectual effort and direction of
7 Compal and its attorneys and witnesses. Therefore, the Court agrees
8 with Compal that the staff time of graphics professionals relates to the
9 physical preparation of demonstrative exhibits rather than the
10 disallowed intellectual effort.

11 *Id.*, Ex. P at 7:11–:20.

12 The same reasoning applies in this case: the e-discovery costs at issue were incurred by third-
13 party vendors who had no involvement in the merits of the case and whose only job was to
14 physically prepare and produce documents to Kelora. Defendants’ Bills of Costs do not include any
15 of the attorneys’ fees incurred for the “intellectual effort” associated with those document
16 productions.

17 Indeed, the e-discovery costs requested by Defendants are similar to the e-discovery costs
18 found recoverable by the Federal Circuit in *In re Ricoh*. In particular, the Federal Circuit applied the
19 “intellectual efforts” test from the Ninth Circuit and concluded that 28 U.S.C. § 1920(4) and N.D.
20 Cal. Civil L.R. 54-3(d)(2) permitted the recovery of costs for a database created by “Stratify, an
21 electronic discovery company that provides secure document processing, review, production and
22 hosting services.” *In re Ricoh*, 661 F.3d at 1365. The Federal Circuit held: “We do not consider
23 any of the Stratify database costs to fall into the unrecoverable category of ‘intellectual efforts.’” *Id.*

24 Similarly, the Southern District of California applied the “intellectual efforts” test from the
25 Ninth Circuit and allowed the recovery of e-discovery costs similar to those requested by Defendants
26 in this case. The court noted that the processes required to properly produce electronically stored
27 information are “highly technical” and substantially different from “the types of services that
28 attorneys or paralegals are trained for or are capable of providing.” *Jardin v. DATAlegro, Inc.*, No.
08-1462, 2011 WL 4835742, at *6 (S.D. Cal. Oct. 12, 2011). The court held:

The distinction between the “physical production” versus “intellectual effort” is that costs associated with physically replicating or producing documents or data are recoverable under § 1920(4), while costs arising out of discovery-related activities tied to strategic, confidentiality, or other types of concerns typically entrusted to lawyers involve intellectual effort and are not recoverable.

1 *Id.* at *8. Based on this distinction, the court allowed the fees for “project management” by an e-
2 discovery vendor because “the project manager did not review documents or contribute to any
3 strategic decisionmaking; he oversaw the process of converting data to the .TIFF format to prevent
4 inconsistent or duplicative processing.” *Id.* at *9. As the court explained, when “a third-party
5 technician is engaged to perform duties limited to technical issues related to the physical production
6 of information, related costs are recoverable under § 1920.” *Id.* at *8.

7 **3. Costs for copying all materials are recoverable, not just the**
8 **materials actually produced to Kelora**

9 Kelora repeatedly argues that “costs are limited to those expenses attributable to the *actual*
10 *production* of discovery documents to the prevailing party’s adversary.” That position is incorrect.
11 Neither the statute nor the local rule limits recoverable costs to the expenses attributable to the final
12 set of documents *actually produced* to the opposing party. *See* 28 U.S.C. § 1920(4) (“Fees for
13 exemplification and the costs of making copies of any materials where the copies are necessarily
14 obtained for use in the case”);² N.D. Cal. Civil L.R. 54-3(d)(2) (“The cost of reproducing disclosure
15 or formal discovery documents when used for any purpose in the case is allowable.”).³ For this
16 reason, the Ninth Circuit has held, “[S]ection 1920(4) . . . does not specifically require that the
17 copied document be introduced into the record to be an allowable cost.” *Haagen-Dazs Co. v.*
18 *Double Rainbow Gourmet Ice Creams, Inc.*, 920 F.2d 587, 588 (9th Cir. 1990) (per curiam).

19 Furthermore, Judge Alsup recently rejected the precise argument raised by Kelora in this
20 case:

21 The tasks of collecting client documents, reviewing those documents,
22 and determining which documents are relevant are essential — and
23 often costly — parts of investigation and discovery. . . . The
24 reproduction costs defendants incurred in collecting, reviewing, and
25 preparing client documents for production were necessary
26 expenditures made for the purpose of advancing the investigation and
27 discovery phases of the action. As such, they are properly taxable.

28

² Unless stated otherwise, all emphasis in quotes throughout this brief has been added.

³ To the extent the local rule is perceived to be narrower than the statute, the statute governs:
“[L]ocal rules cannot render disallowable costs otherwise allowable under section 1920.” *In re*
Ricoh, 661 F.3d at 1370 n.5.

1 Plaintiffs object to the taxation of reproduction costs incurred “in
2 *anticipation* or contemplation of production,” but they cite no
3 controlling authority for the proposition that reproduction costs are
recoverable only for documents that “were *actually* produced”

4 *Parrish v. Manatt, Phelps & Phillips, LLP*, No. 10-3200, 2011 WL 1362112, at *2, *3 (N.D. Cal.
5 Apr. 11, 2011) (Alsup, J.).⁴

6 It is worth noting that the prevailing party in the *Parrish* case before Judge Alsup — the
7 Manatt, Phelps law firm — is the same law firm representing Kelora in this case. Thus the
8 arguments made by Kelora’s lawyers in this case directly contradict the arguments they successfully
9 made as the prevailing party in the *Parrish* case. *See, e.g.*, Ex. Q at 4:20–6:14 (brief by Manatt,
10 Phelps arguing, “It is immaterial that some of the documents were never produced to plaintiffs.”).

11 **4. Kelora requested the format in which documents were**
12 **produced and thus should not be permitted to complain**
13 **about the costs associated with the format for those**
14 **productions**

15 As discussed above, the parties agreed at the beginning of this case on the format for the
16 production of documents (i.e., TIFF files with OCR information so that the files are text-searchable).
See supra Part II.B, p. 3. The e-discovery costs incurred by Defendants were necessary to comply

17 ⁴ The Federal Circuit’s later decision in *In re Ricoh* does not conflict with Judge Alsup’s decision
18 in *Parrish*. Although *In re Ricoh* limited the prevailing party in that case to recovery of “the costs
19 incurred in preparing a *single* copy of the original documents produced for the opposing party where
20 that copy is *supplied to the opposing party*,” 661 F.3d at 1367 (citing a decision from the Fifth
21 Circuit), that portion of the Federal Circuit’s decision concerned “document copying costs,” *id.*, not
22 e-discovery costs under the 2008 amendments to § 1920, which were discussed earlier in the
23 decision, *see id.* at 1364–66. With respect to e-discovery costs under the 2008 amendments to
24 § 1920, the Federal Circuit did *not* limit recovery to the cost of preparing a single copy supplied to
25 the opposing party. *See id.* Furthermore, even before the 2008 amendments, the Ninth Circuit
26 interpreted the phrase “necessarily obtained for use in the case” in 28 U.S.C. § 1920 to allow
27 recovery of *multiple* copies (so long as those copies were reasonably necessary for use in the case),
28 consistent with Judge Alsup’s reasoning in *Parrish*. *See Alfex Corp. v. Underwriters Labs., Inc.*,
914 F.2d 175, 177 (9th Cir. 1990) (per curiam) (allowing recovery for *multiple* copies of deposition
transcripts). To the extent there is a conflict between this portion of the Federal Circuit’s decision in
In re Ricoh (which followed Fifth Circuit law) and the Ninth Circuit’s decision in *Alfex*, this Court
is required to follow the Ninth Circuit’s decision in *Alfex* because Ninth Circuit law governs and
Alfex was decided before *In re Ricoh*. *See, e.g., Int’l Rectifier Corp. v. IXYS Corp.*, 383 F.3d 1312,
1317 (Fed. Cir. 2004) (following earlier panel decision because “[t]his court has adopted the rule
that prior decisions of a panel of the court are binding precedent on subsequent panels unless and
until overturned in banc”); *In re Complaint of Ross Island Sand & Gravel*, 226 F.3d 1015, 1018 (9th
Cir. 2000) (per curiam) (“A three judge panel of this court cannot overrule a prior decision of this
court.”).

1 with the format for production specified by Kelora. *See AmeriPride Servs., Inc. v. Valley Indus.*
2 *Serv., Inc.*, No. 00-113, 2012 WL 1641749, at *3 (E.D. Cal. May 9, 2012) (allowing \$47,691.76 in e-
3 discovery costs because “[i]mporting, coding and OCR (optical character recognition) were
4 necessary to produce the documents as [the other side] demanded”). “It is unfair for [the losing
5 party] to request that [the prevailing party] reproduce documents in a certain manner during
6 discovery and then contest that form of reproduction at the fee motion.” *Lopez v. San Francisco*
7 *Unified School Dist.*, 385 F. Supp. 2d 981, 1001 (N.D. Cal. 2005) (Illston, J.). Indeed, the court in
8 *AmeriPride* awarded AmeriPride its e-discovery costs of scanning, importing, coding, and OCR
9 despite contentions that those costs were incurred “so that AmeriPride could more conveniently
10 review the documents prior to, and then again after, the production to [the opposing party].”
11 *AmeriPride*, 2012 WL 1641749, at *3.

12 **5. The Supreme Court’s recent decision in *Taniguchi***
13 **concerned costs for interpreters under § 1920(6), not e-**
14 **discovery costs under § 1920(4)**

15 Kelora’s brief repeatedly cites to the Supreme Court’s recent decision in *Taniguchi v. Kan*
16 *Pacific Saipan, Ltd.*, 132 S. Ct. 1997 (2012). That decision concerned costs for interpreters under 28
17 U.S.C. § 1920(6), not e-discovery costs under § 1920(4), and thus the decision has little relevance to
18 the disputed costs in this case.

19 Kelora points to the Supreme Court’s observation that, as a general matter, “costs are limited
20 to relatively minor, incidental expenses.” 132 S. Ct. at 2006. But even “minor” costs can quickly
21 add up, especially in patent cases. *See, e.g., In re Ricoh Co. Patent Litig.*, No. 03-2289, 2012 WL
22 1499191, at *6 (N.D. Cal. Apr. 26, 2012) (Ware, C.J.) (awarding \$675,154.75 in costs).

23 Kelora also cites *Taniguchi* for the proposition that “[t]his Court may only tax costs explicitly
24 authorized by Section 1920.” But that is nothing new; it has been true for over 20 years, since at
25 least the Supreme Court’s decision in *Crawford Fitting Co. v. J.T. Gibbons, Inc.*, 482 U.S. 437, 441–
26 42 (1987). To the extent Kelora intends to suggest that recoverable costs are strictly limited to the
27 precise words found in § 1920, that is incorrect. For example, § 1920 does not specifically refer to
28 *copies* of deposition transcripts, yet not even Kelora disputes that the costs for *copies* of deposition
transcripts are recoverable costs (as the Clerk properly found in this case). *See Alflex Corp. v.*

1 *Underwriters Labs., Inc.*, 914 F.2d 175, 177 (9th Cir. 1990) (per curiam) (confirming that copies of
2 deposition transcripts are recoverable costs, even after the Supreme Court’s decision in *Crawford*
3 *Fitting*). Similarly, the local rules of this Court make clear that “charts, diagrams, videotapes and
4 other visual aids” are recoverable costs, *see* N.D. Cal. Civil L.R. 54-3(d)(5), even though none of
5 those precise words can be found in § 1920.

6 Another reason the Supreme Court’s decision in *Taniguchi* has little relevance to this case is
7 because it did not consider the 2008 amendments to § 1920(4), which as discussed above were
8 explicitly intended to make e-discovery costs recoverable. *See In re Ricoh*, 661 F.3d at 1365
9 (discussing 2008 amendments). Again, the Supreme Court’s decision in *Taniguchi* concerned costs
10 for interpreters under 28 U.S.C. § 1920(6), not e-discovery costs under § 1920(4).

11 **6. The Third Circuit’s decision in *Race Tires* is not binding**
12 **precedent, conflicts with the decisions of other circuits, and**
has not been followed in this district

13 Kelora’s brief repeatedly cites the Third Circuit’s decision in *Race Tires America, Inc. v.*
14 *Hoosier Racing Tire Corp.*, 674 F.3d 158 (3d Cir. 2012), *cert. denied*, 81 U.S.L.W. 3001 (U.S. Oct.
15 1, 2012) (No. 11-1520). Kelora argues that “the *Race Tires* Court held that costs made in connection
16 with e-discovery are taxable pursuant to Section 1920(4) only to the extent such costs are for
17 scanning or file format conversion of documents actually produced.”

18 The decision in *Race Tires* was from another circuit and thus is not binding precedent on this
19 Court. *See In re Online DVD Rental Antitrust Litigation*, No. 09-2029, 2012 WL 1414111, at *1
20 (N.D. Cal. Apr. 20, 2012) (Hamilton, J.) (declining to follow *Race Tires* and holding that “broad
21 construction of section 1920 with respect to electronic discovery production costs — under the facts
22 of this case — is appropriate”).

23 The decision in *Race Tires* also conflicts with the decisions of at least two other circuits. *See*
24 *In re Ricoh*, 661 F.3d at 1365 (holding that 28 U.S.C. § 1920(4) and N.D. Cal. Civil L.R. 54-3(d)(2)
25 allow recovery of costs for a database created by “Stratify, an electronic discovery company that
26 provides secure document processing, review, production and hosting services”); *Hecker v. Deere &*
27 *Co.*, 556 F.3d 575, 591 (7th Cir. 2009) (affirming fees for “converting computer data into a readable
28 format in response to plaintiffs’ discovery requests”). As between the Third Circuit’s decision in

1 *Race Tires* and the Federal Circuit’s decision in *In re Ricoh*, this Court should follow *In re Ricoh*,
2 since it applied the law of the Ninth Circuit and the local rules of this Court.

3 Indeed, Judge Hamilton in this district has specifically declined to follow *Race Tires*. *See In*
4 *re Online DVD Rental Antitrust Litigation*, 2012 WL 1414111, at *1. That is not surprising, since
5 the Third Circuit’s test for recoverable costs conflicts with the Ninth Circuit’s test. In the Ninth
6 Circuit, as discussed above, the relevant test is whether the disputed costs are for “physical
7 preparation” (which is recoverable) or “intellectual efforts” (which is not recoverable). *See supra*
8 Part III.B.2, pp. 5–7. Courts applying Ninth Circuit law (including *In re Ricoh*) have repeatedly held
9 that costs incurred by e-discovery vendors are for “physical preparation” (and thus recoverable), not
10 for “intellectual efforts” (and thus unrecoverable). *See supra* Part III.B.2, pp. 5–7.

11 Another problem with Kelora’s reliance on *Race Tires* is that it apparently only permits
12 recovery of the costs associated with the *final* act of copying, which as discussed above is contrary
13 to the language of the statute, the local rule in this district, and Judge Alsup’s decision in *Parrish*,
14 which all make clear that *all* the costs of copying *all* materials are recoverable, not just the cost of
15 copying the final materials *actually produced* to the other side. *See supra* Part III.B.3, pp. 7–8.
16 When documents are produced in electronic format, they are copied many times before they are
17 finally produced to the other side. *See generally supra* Part II.B, p. 3 (summarizing steps required to
18 produce documents electronically). Contrary to the Third Circuit’s conclusion, the more reasonable
19 interpretation of 28 U.S.C. § 1920(4) and N.D. Cal. Civil L.R. 54-3(d)(2) is that the cost of *every*
20 copy is recoverable so long as the copy was reasonably necessary for the case. For example, the first
21 step, “Collection,” typically involves making a native copy of the files from an employee’s
22 computer. *See supra* Part II.B, p. 3. That copy is obviously necessary and thus should be
23 recoverable. The next step, “Processing,” typically involves copying the native file to the TIFF file
24 format, and then copying those TIFF files to a server for review. In most cases (as in this case), the
25 parties agree upon the TIFF format, and thus making those copies is necessary and thus should be
26 recoverable. *See supra* Part III.B.4, p. 8. The “Processing” step may also involve de-duplication
27 and/or keyword searches, where documents are copied and then compared against each other to
28 remove exact duplicates, or against keywords to remove irrelevant documents, thus reducing the cost

1 to the producing party and reducing the number of documents the receiving party must review.
2 These copies are all reasonably necessary (since they reduce costs for everyone) and thus should be
3 recoverable. The next step, “Review,” typically involves copying the files from the server to an
4 individual attorney’s computer so that the attorney can review the document for relevance and
5 privilege. Attorneys are required to protect the attorney-client privilege, and thus copying
6 documents for review is reasonably necessary and thus should be recoverable (although the
7 attorneys’ fees for reviewing the document are not recoverable). The next step, “Production,”
8 typically involves making a copy of the TIFF images with a Bates number on each image onto some
9 medium for production, such as a harddrive or DVD. The “Production” step may also involve
10 OCR’ing, where the text from the native file is copied and then associated with the TIFF file, to
11 make the TIFF file text-searchable. In most cases (as in this case) the parties agree upon OCR’ing
12 and expect Bates numbering, and thus these copies are reasonably necessary and thus should be
13 recoverable. The final step, “Post-Production,” typically involves creating a copy of the final
14 production for the producing party, so that the producing party has a usable copy of what the
15 opposing party received. This is the copy of the documents that the producing party will use for the
16 rest of the case, including at trial. This copy is reasonably necessary for litigating the case and thus
17 should be recoverable. In sum, the Third Circuit’s holding that the only recoverable costs are for
18 “scanning” and “file format conversion” is an arbitrary interpretation of the phrase “making copies”
19 in § 1920(4), and ignores that the plain meaning of § 1920(4) covers copies of “any materials where
20 the copies are necessarily obtained for use in the case,” not just the final copy of the materials
21 actually produced to the other side.

22 In the end, Kelora essentially argues that even though *In re Ricoh* and all the cases applying
23 the Ninth Circuit’s “intellectual efforts” test support recovery of e-discovery costs, those cases
24 should all be ignored (and *Race Tires* should be followed) because those cases came *before* the
25 Supreme Court’s decision in *Taniguchi*. But the only time this Court may ignore a decision by a
26 court of appeals (such as *In re Ricoh*) on the basis of an intervening Supreme Court decision is when
27 the earlier court of appeals decision is “clearly irreconcilable” with the later Supreme Court decision.
28 *See, e.g., Day v. Apoliona*, 496 F.3d 1027, 1031 (9th Cir. 2007) (following earlier court of appeals

1 decision notwithstanding intervening Supreme Court decision). As discussed above, the Supreme
2 Court’s decision in *Taniguchi* concerned costs for interpreters under 28 U.S.C. § 1920(6), not e-
3 discovery costs under § 1920(4), *see supra* Part III.B.5, pp. 9–10, and thus it cannot be said that *In re*
4 *Ricoh* and all the cases applying the Ninth Circuit’s “intellectual efforts” test are “clearly
5 irreconcilable” with the Supreme Court’s decision in *Taniguchi*. Indeed, contrary to Kelora’s theory,
6 a recent case on e-discovery in California — which was decided *after* the Supreme Court’s decision
7 in *Taniguchi* — continued to follow the Ninth Circuit’s “intellectual efforts” test, *see supra* Part
8 III.B.2, pp. 5–7, and *allowed* the recovery of e-discovery costs:

9 [The losing party] propounded 164 separate discovery requests
10 seeking electronically stored information from [the prevailing party] or
11 requiring [the prevailing party] to process electronically stored
12 information. [The prevailing party] was required to produce this
13 electronically stored information under the Federal Rules of Civil
14 Procedure unless it could demonstrate that it faced an “undue burden
15 or cost.” Fed. R. Civ. P. 26(b)(2)(B). The processes required to
16 properly retrieve or convert electronic data so that it may be produced
17 in discovery are “highly technical” and substantially different from
18 “the types of services that attorneys or paralegals are trained for or are
19 capable of providing.” *Jardin v. DATAlegro, Inc.*, 08-CV-1462-IEG
20 WVG, 2011 WL 4835742, *6 (S.D. Cal. Oct. 12, 2011). In light of
21 these facts, the Court finds that [the prevailing party’s] electronic
22 document production costs, including fees for hiring professionals and
23 purchasing hard drives to transport the electronic files, were not
24 accrued merely for the convenience of counsel but were necessarily
25 incurred during the case.

26 Because [the prevailing party] has shown that its electronic
27 document production costs were necessarily incurred during the case,
28 the Motion is GRANTED as to this cost.

29 *Imaginal Systematic, LLC v. Leggett & Platt, Inc.*, No. 10-7416, slip op. at 4 (C.D. Cal. July 27,
30 2012) (citation omitted).

31 * * * * *

32 For all these reasons, e-discovery costs are recoverable under 28 U.S.C. § 1920(4) and N.D.
33 Cal. Civil L.R. 54-3(d)(2).

34 **C. Taxation of costs is supposed to be a simple, clerical matter and does not**
35 **require the evidentiary detail suggested by Kelora**

36 Kelora also argues that Defendants have not supplied “sufficient documentation (e.g. detailed
37 invoices and/or declarations)” to justify recovery of their e-discovery costs. To the contrary, as
38

1 explained in more detail below, every Defendant has supported its Bill of Costs with declaration(s)
2 and/or the *actual* invoices from their e-discovery vendor. To the extent Kelora suggests the law
3 requires more detail than this, Kelora is incorrect.

4 First, in the Ninth Circuit, the burden is generally on the *losing* party to justify the *denial* of
5 costs, not on the prevailing party to justify the award of costs as suggested by Kelora. *See supra*
6 Part III.A, p. 4. This is another example where the arguments made by Kelora’s lawyers in this case
7 contradict the arguments they made before Judge Alsup in the *Parrish* case. *See* Ex. Q at 3:10–:18
8 (brief by Manatt, Phelps arguing, “[T]he losing party bears the burden to demonstrate why the costs
9 should not be awarded.”).

10 Second, a Bill of Costs is supposed to be a simple matter, not a source of satellite litigation
11 over the details of the prevailing party’s bills. The relevant statute shows how simple the process is
12 supposed to be:

13 **§1924. Verification of bill of costs**

14 Before any bill of costs is taxed, the party claiming any item of
15 cost or disbursement shall attach thereto an affidavit, made by himself
16 or by his duly authorized attorney or agent having knowledge of the
17 facts, that such item is correct and has been necessarily incurred in the
18 case and that the services for which fees have been charged were
19 actually and necessarily performed.

20 28 U.S.C. § 1924. Notably, the statute does *not* require all of the evidentiary detail suggested by
21 Kelora’s motion; the statute merely requires a simple verification, which can be provided by the
22 party’s attorney. Indeed, the Supreme Court has noted that “the assessment of costs most often is
23 merely a clerical matter that can be done by the court clerk.” *Taniguchi*, 132 S. Ct. at 2006. If the
24 assessment of costs is going to be a clerical matter — as it is supposed to be in this Court, *see* N.D.
25 Cal. Civil L.R. 54-4(b) — then it needs to be a simple matter, not a complex evidentiary question as
26 suggested by Kelora’s motion.

27 It is true that the local rule requires more than what 28 U.S.C. § 1924 requires, but it does not
28 require all the evidentiary detail suggested by Kelora. The local rule states:

29 **54-1. Filing of Bill of Costs**

30 **(a) Time for Filing and Content.** No later than 14 days after entry of
31 judgment or order under which costs may be claimed, a prevailing

1 party claiming taxable costs must serve and file a bill of costs. The
2 bill must state separately and specifically each item of taxable costs
3 claimed. It must be supported by an affidavit, pursuant to 28 U.S.C.
§1924, that the costs are correctly stated, were necessarily incurred,
4 and are allowable by law. ***Appropriate documentation to support
each item claimed must be attached to the bill of costs.***

5 N.D. Cal. Civil L.R. 54-1(a). The phrase “[a]ppropriate documentation” does not suggest the level
6 of detail that Kelora would demand and which if required would result in satellite litigation in every
7 instance, contrary to the goal of creating a simple, clerical procedure. In this case, Defendants
8 generally attached the ***actual*** invoices that they ***actually paid*** to their e-discovery vendors. It is
9 important to remember that when Defendants paid these bills, they did not pay them with the
10 expectation that they would later be able to recover these costs from Kelora; litigation is uncertain
11 and most cases settle before one party prevails. Thus when Defendants paid the bills in question,
12 they scrutinized those bills as any prudent person would. Defendants themselves found these
13 invoices to be “appropriate documentation” for the costs incurred — which is why Defendants paid
14 these bills — and thus it would be unreasonable to interpret the local rule to require more detail than
15 is actually required out in the real world. Furthermore, the phrase “[a]ppropriate documentation”
16 does not necessarily require invoices; a declaration can suffice: “Plaintiff supported her request for
17 the printing costs with an affidavit, but nothing more. There is no explicit requirement that counsel
18 attach invoices, and the Court opts not to require them in this instance.” *Chellino v. Kaiser*
19 *Foundation Health Plan*, No. 07-3019, 2010 WL 583970, at *6 (N.D. Cal. Feb. 16, 2010) (Breyer,
20 J.).

21 In support of its argument, Kelora does not cite any cases from the Ninth Circuit, but instead
22 cites a case from the Tenth Circuit, *English v. Colorado Dept. of Corrections*, 248 F.3d 1002, 1013
23 (10th Cir. 2001). In that case, the prevailing party apparently supplied nothing more than a
24 “spreadsheet contain[ing] a list of names of [couriers, a court reporter, and other service providers],
25 the amounts paid, and a blanket assertion that the costs incurred are among those allowed under
26 § 1920.” *Id.* at 1013. The Tenth Circuit disallowed these costs on the basis that “[t]he burden is on
27 the prevailing plaintiffs to establish the amount of compensable costs and expenses to which they are
28 entitled. . . . The [prevailing party in this case] makes no attempt to explain how the listed

1 expenditures meet the requirements of § 1920 or even to identify the purpose of each expenditure.”
2 *Id.* at 1013.

3 It is difficult to reconcile the Tenth Circuit’s suggestion that the prevailing party must
4 “explain how the listed expenditures meet the requirements of § 1920” with the governing statute, 28
5 U.S.C. § 1924, which merely requires a simple verification of the costs requested. Furthermore,
6 Kelora provides no reason to believe that the Ninth Circuit would follow the Tenth Circuit’s
7 reasoning, rather than the explicit language of 28 U.S.C. § 1924, especially given the Ninth Circuit’s
8 view that the burden is on the *losing* party to justify the *denial* of costs. *See supra* Part III.A, p. 4.
9 But even if this Court followed the Tenth Circuit’s decision in *English*, that case is distinguishable
10 because Defendants in this case have explained above how e-discovery costs meet the requirements
11 of 28 U.S.C. § 1920(4), *see supra* Part III.B.2, pp. 5–7, and they did not simply attach a spreadsheet
12 tallying various numbers, but instead provided declarations and/or actual invoices to support their
13 Bills of Costs.

14 Finally, to the extent the Court is concerned about the sufficiency of any particular
15 Defendant’s evidentiary support for its Bill of Costs, the Court should not simply disallow *all* of that
16 Defendant’s e-discovery costs, as requested by Kelora for many Defendants, but instead the Court
17 should exercise its discretion to award what it determines is reasonable under the circumstances. *See*
18 *El Dorado Irrigation Dist. v. Traylor Bros. Inc.*, No. 03-949, 2007 WL 512428, at *10 (E.D. Cal.
19 Feb. 12, 2007) (“The court cannot say with certainty that all the copies were necessarily obtained for
20 use in the case. The court is confident, however, that given the length and complexity of the case,
21 the number of copies ‘necessarily obtained’ is not lower than three fourths of the copies billed for.”);
22 *see also supra* Parts II.A–B, pp. 1–4 (discussing the complexities of this case).

23 **D. Defendant-specific arguments**

24 **1. eBay**

25 eBay supported its Bill of Costs with two declarations: one by its e-discovery vendor, *see* Ex.
26 D, and one by its attorney, *see* Ex. E, ¶ 8. eBay’s Bill of Costs is larger than the other Defendants’
27 Bills of Costs because “eBay had *three* independent websites accused of infringement (ebay.com,
28

1 shopping.com, and stubhub.com) . . . so eBay was required to produce many more documents to
2 Kelora” than most other Defendants. Ex. E, ¶ 8.

3 Kelora’s arguments specific to eBay’s Bill of Costs are found at Case No. 10-4947, ECF No.
4 174, at 7:13–8:17. Most of Kelora’s arguments are addressed in the common sections of this brief
5 above. *See supra* Parts III.B–C, pp. 4–16. Kelora also argues that “eBay does not submit any actual
6 invoicing from its e-discovery vendor,” but there is no requirement for actual invoices: “Plaintiff
7 supported her request for the printing costs with an affidavit, but nothing more. There is no explicit
8 requirement that counsel attach invoices, and the Court opts not to require them in this instance.”
9 *Chellino v. Kaiser Foundation Health Plan*, No. 07-3019, 2010 WL 583970, at *6 (N.D. Cal. Feb.
10 16, 2010) (Breyer, J.).

11 Kelora argues that the declaration by eBay’s attorney (Ex. E, ¶ 8) lacks sufficient detail. But
12 that declaration provides the detail required by 28 U.S.C. § 1924, and to the extent more detail is
13 required, that detail is provided by the declaration from eBay’s e-discovery vendor (Ex. D). Kelora
14 argues that the declaration by eBay’s e-discovery vendor “does not sufficiently specify that the costs
15 listed are taxable.” To the contrary, the declaration by eBay’s e-discovery vendor provides “a
16 breakdown of our specific service activities relevant to the exemplification of documents deemed
17 necessary by Kelora for use in this litigation.” Ex. D, ¶ 4. For each category of costs, the
18 declaration explains how much eBay paid and why. For example, eBay paid \$44,000.00 for
19 “forensically sound copying tools to acquire eBay data and preserve eBay email and other
20 documents to create official certified copies of [all the] potentially responsive documents.” *Id.* This
21 is more detail than required by 28 U.S.C. § 1924 or N.D. Cal. Civil L.R. 54-1(a). *See supra*
22 Part III.C, pp. 13–16.

23 **2. Microsoft**

24 Microsoft initially supported its Bill of Costs with a declaration from its attorney attaching
25 the actual invoices from Microsoft’s e-discovery vendor. *See* Ex. E. In addition, as part of this
26
27
28

1 brief,⁵ Microsoft has supplied an additional declaration from the paralegal working with Microsoft's
2 attorneys. *See* Ex. F.

3 Kelora's arguments specific to Microsoft's Bill of Costs are found at Case No. 10-4947, ECF
4 No. 173, at 7:17–8:11. Most of Kelora's arguments are addressed in the common sections of this
5 brief above. *See supra* Parts III.B–C, pp. 4–16. Kelora argues that the invoices and attorney
6 declaration supplied by Microsoft lack sufficient detail. To the contrary, the invoices supplied by
7 Microsoft are the **actual** invoices that it **actually** paid for e-discovery, and thus those invoices are
8 "[a]ppropriate documentation" to support Microsoft's requested costs. *See supra* Part III.C, pp. 13–
9 16. In addition, Microsoft has provided a second declaration showing that its costs averaged a mere
10 11 cents/page, *see* Ex. E, ¶ 8; Ex. F, ¶ 4 — much lower than typical for e-discovery costs — which is
11 a separate and independent basis for upholding the full amount taxed by the Clerk, regardless of the
12 alleged lack of detail provided by the invoices and attorney declaration: "[N]umerous' courts have
13 'endorsed rates of at least twelve cents . . . a copy as reasonable.'" *In re Ricoh Co. Patent Litig.*,
14 No. 03-2289, 2012 WL 1499191, at *6 n.15 (N.D. Cal. Apr. 26, 2012) (Ware, C.J.).

15 3. Cabela's

16 Cabela's supported its Bill of Costs with a declaration from its attorney, declarations from its
17 litigation support specialists, and actual invoices. *See* Ex. G. Kelora's arguments specific to
18 Cabela's Bill of Costs are found at Case No. 11-1398, ECF No. 155, at 10:16–11:26. Most of
19 Kelora's arguments are addressed in the common sections of this brief above. *See supra* Parts III.B–
20 C, pp. 4–16.

21 To the extent Kelora argues that the declarations supplied by Cabela's do not provide
22 sufficient detail, these arguments fail. The declarations by Cabela's explain how much Cabela's
23 paid and why. For example, Cabela's paid \$16,686.45 for "costs for reproducing, copying and other
24 document fees necessarily incurred during the course of this case, including imaging and converting

25 ⁵ As noted by Kelora, "This Court reviews *de novo* the Clerk's Costs Order." Mem. at 4:8 [Case
26 No. 10-4947, ECF No. 173] (citing *In re Paoli R.R. Yard PCB Litig.*, 221 F.3d 449 (3d Cir. 2000)).
27 As a result, this Court has the power to consider additional facts not presented to the Clerk. *See In re*
28 *Paoli*, 221 F.3d at 453 ("A district court reviewing a clerk's taxation of costs has the power to
consider such evidence.").

1 electronic documents for reproducing disclosure or formal discovery documents to Kelora.” Ex. G,
2 ¶ 8. Cabela’s also provided declarations from its litigation support specialists detailing the time they
3 spent “processing and converting files received from Cabela’s to be produced in discovery to load
4 into the software program Summation for reviewing and processing and converting into production
5 format.” *Id.* at Ex. E-1. This is more detail than required by 28 U.S.C. § 1924 or N.D. Cal. Civil
6 L.R. 54-1(a). *See supra* Part III.C, pp. 13–16.

7 Kelora also objects to the taxation of \$222 for hearing transcripts and \$6,107.91 for
8 deposition costs. Kelora concedes that the Clerk’s Costs Order disallowed \$2,568.56 for hearing
9 transcript costs and/or deposition costs sought under Section 1920(2), but Kelora complains that the
10 Clerk did not specify which costs were granted or denied. It is apparent from the Clerk’s actions and
11 explanations in the related cases that the Clerk disallowed hearing transcripts and “extras” for
12 depositions just as the Clerk did in the related matters. Accordingly, Kelora’s concerns have already
13 been taken into account and addressed by the Clerk.

14 Finally, regarding the issue of videotaped depositions, eBay/Microsoft and Kelora have
15 already briefed this issue (*see* Case No. 10-4947, ECF Nos. 175, 178, 179) and so in the interest of
16 efficiency, Cabela’s agrees to be bound by whatever ruling is applied to eBay/Microsoft with respect
17 to videotaped depositions.

18 **4. Dell**

19 Dell initially supported its Bill of Costs with a declaration from its attorney attaching the
20 actual invoices from Dell’s e-discovery vendor. *See* Ex. H. In addition, as part of this brief,⁶ Dell
21 has supplied an additional declaration from the paralegal working with Dell’s attorneys. *See* Ex. I.

22 Kelora’s arguments specific to Dell’s Bill of Costs are found at Case No. 11-1548, ECF No.
23 518, at 7:13–8:5. Most of Kelora’s arguments are addressed in the common sections of this brief
24 above. *See supra* Parts III.B–C, pp. 4–16. Kelora also argues that the invoices and attorney
25 declaration supplied by Dell lack sufficient detail. To the contrary, the invoices supplied by Dell are
26

27 ⁶ This Court has the power to consider additional facts not presented to the Clerk. *See supra*
28 p. 18, note 5.

1 the *actual* invoices that it *actually* paid for e-discovery, and thus those invoices are “[a]ppropriate
2 documentation” to support Dell’s requested costs. *See supra* Part III.C, pp. 13–16. In addition, Dell
3 has provided a second declaration showing that its costs averaged a mere 11 cents/page, *see* Ex. H,
4 ¶ 7; Ex. I, ¶ 4 — much lower than typical for e-discovery costs — which is a separate and
5 independent basis for upholding the full amount taxed by the Clerk, regardless of the alleged lack of
6 detail provided by the invoices and attorney declaration. *See supra* p. 18 (citing *In re Ricoh*, 2012
7 WL 1499191, at *6 n.15).

8 **5. Newegg**

9 As a threshold matter, it has come to Newegg’s undersigned counsel’s attention in the course
10 of preparing this opposition that the disputed invoice appearing at Case No. 11-1548, ECF No. 488-
11 1, at 35 (Invoice No. 115370 in the amount of \$225.20), although on its face bearing The Webb Law
12 Firm’s reference number associated with this case (5188-103760) and thus ostensibly pertaining to
13 this case, was in fact an invoice paid in connection with another matter. Having now recognized this
14 typographical error on the invoice, Newegg concedes that the associated costs of \$225.20 previously
15 taxed against Kelora should not have been taxed. The following arguments address only the
16 remaining disputed invoices.

17 In support of its Bill of Costs (ECF No. 488), Newegg submitted various invoices from its e-
18 discovery vendors pertaining to document production in this case, along with the declaration of Kent
19 E. Baldauf, Jr. (the “Baldauf Declaration”), Newegg’s lead counsel, who attested that “Exhibit D is
20 an itemization and true and correct copies of invoices demonstrating total payments in the amount of
21 \$17,496.49 for the cost of reproducing disclosure or formal discovery documents used for any
22 purpose in the case,” that the costs “have been necessarily incurred in this action, and that the
23 services for which fees have been charged were actually and necessarily performed.” Ex. J, ¶¶ 2, 6.

24 Kelora now disputes the amounts listed in various invoices, as well as the Baldauf
25 Declaration, for being insufficiently specific to show that the invoices reflect costs for “scanning or
26 file format conversion of documents actually produced.” ECF No. 520, at 6. As discussed in detail
27 above, Defendants dispute Kelora’s interpretation of the applicable case law that would so severely
28 limit recoverable e-discovery costs. Newegg’s e-discovery costs are all recoverable, and are a far

1 cry from the kinds of “intellectual efforts” that the case law uniformly seeks to exclude from Section
2 1920(4).

3 Most of the disputed invoices expressly show on their faces that the work reflected in the
4 invoices involved converting documents into the parties’ agreed format for production: “electronic
5 image redaction,” “document prep,” “image OCR,” and “CD creation.” Ex. J (Invoice Nos.
6 1149950, 1150034, 1150380, 1152241, 1152729). The invoices that contain these format
7 conversion descriptions also plainly reflect that the documents being processed were for Newegg’s
8 actual production of documents in this case to Kelora, referring to the sequential “image
9 endorse[ment]” or “branding” (i.e., bates numbering) with “NEGG___” across several volumes of
10 compact discs. *Id.* Although Kelora attempts to carve out these invoices (or portions thereof) from
11 Newegg’s necessarily incurred costs, the invoices themselves show that they directly relate to
12 preparation and production of documents to Kelora in the form Kelora requested. These costs are
13 taxable. *See Ricoh*, 661 F.3d at 1365–66.

14 The remaining disputed invoices fall under one of two categories. The first category of
15 invoices reflects e-discovery costs necessarily incurred to convert documents electronically produced
16 by Kelora in a format which was incompatible with Newegg’s document management system into a
17 format usable and reviewable by Newegg’s counsel—i.e., conversion of Concordance load files
18 (compatible with Kelora’s system) into Summation load files (compatible with Newegg’s system).
19 Most invoices in this first category expressly refer to conversion of various volumes of document
20 production from Kelora, e.g., “KS001.” Ex. J (Invoice Nos. 1149122, 1152241, 1152355, 1153773).
21 These costs were clearly incurred to address “technical issues related to the physical production of
22 information,” and are taxable. *Jardin*, 2011 WL 4835742, at *7–*8. The second category reflects e-
23 discovery costs necessarily incurred to convert documents electronically gathered by Newegg into a
24 format suitable for subsequent review and production by Newegg’s counsel. The invoice in this
25 category shows on its face that the costs were required to process and convert Newegg’s
26 electronically stored documents from their native formats into the “TIFF” format agreed to by the
27 parties. Ex. J (Invoice No. LA002081.01). This format conversion, as a prerequisite to proper
28

document production, was a necessary and taxable expense. *See AmeriPride*, 2012 WL 1641749, at *3.

6. **Amazon, Audible, Zappos**

The Amazon Defendants supported their Bill of Costs with a declaration from their attorney attaching the actual invoices from their e-discovery vendor. *See Ex. K*. The Amazon Defendants' Bill of Costs is larger than most other Defendants' Bills of Costs because they collectively produced documents for *four* independent websites (www.amazon.com, www.endless.com, www.audible.com, and www.zappos.com). *See Case No. 11-1548, ECF No. 405*.

Kelora's arguments specific to the Amazon Defendants' Bill of Costs are found at Case No. 11-1548, ECF No. 517, at 7:13–8:11. Most of Kelora's arguments are addressed in the common sections of this Opposition explaining why e-discovery costs are recoverable, including any costs associated with documents that ultimately were not actually produced to Kelora (*see supra* Part III.B.3, pp. 7–8), costs (e.g., for "TIFF Conversion" and "Data Management") necessary to comply with Kelora's requested document production format (*see supra* Part II.B, pp. 3–4; Part III.B.4, pp. 8–9), and costs (e.g., for "Project Management" and "Quality Control") incurred by e-discovery vendors for "physical preparation" (*see supra* Part III.B.2, pp. 5–7).

Kelora also argues that the invoices and attorney declaration supplied by the Amazon Defendants lack sufficient detail. To the contrary, the invoices supplied by the Amazon Defendants are the *actual* invoices that they *actually* paid for e-discovery, and thus those invoices are "[a]ppropriate documentation" to support the Amazon Defendants' requested costs. *See supra* Part III.C, pp. 13–16.

Moreover, the Amazon Defendants submitted several invoices that include line items for specific costs that Kelora does not specifically dispute, but nevertheless, requests the Court to disallow in their entirety. For example, the 18271, 12/31/2011 Invoice in the amount of \$29,466.45 and the 18890, 1/31/2012 Invoice in the amount of \$12,915.71 include line items for costs relating to "electronic bates numbering," "CDs Burned – Production," "Edata Conversion to TIFF," and "Data Management – Production." *See Ex. K*. It is improper for Kelora to request disallowance of such costs in their entirety, when even Kelora does not dispute such costs. *See Case No. 11-1548, ECF*

No. 517, at 7:13–8:4.

7. Costco

Costco supported its Bill of Costs with a declaration from its attorney attaching the actual invoices from its e-discovery vendor. *See* Ex. L. Kelora’s arguments specific to Costco’s Bill of Costs are found at Case No. 11-1548, ECF No. 516, at 7:13–8:21. Most of Kelora’s arguments are addressed in the common sections of this Opposition explaining why e-discovery costs are recoverable, including any costs associated with documents that ultimately were not actually produced to Kelora (*see supra* Part III.B.3, pp. 7–8), costs (e.g., for “Process Data – Output (Images)”) necessary to comply with Kelora’s requested document production format (*see supra* Part II.B, pp. 3–4; Part III.B.4, pp. 8–9), and costs (e.g., for “deduplication,” an automated process for eliminating of redundant data) incurred by e-discovery vendors for “physical preparation” (*see supra* Part III.B.2, pp. 5–7).

Kelora also argues that the invoices and attorney declaration supplied by Costco lack sufficient detail. To the contrary, the invoices supplied by Costco are the ***actual*** invoices that it ***actually*** paid for e-discovery, and thus those invoices are “[a]ppropriate documentation” to support Costco’s requested costs. *See supra* Part III.C, pp. 13–16. Moreover, Costco submitted several invoices that include line items for specific costs that Kelora does not specifically dispute, but nevertheless, requests the Court to disallow in their entirety. For example, the 1111021 Invoice includes line items for “TIFF Conversion and Endorse Convert 2 GBs” and “Native Production Export.” *See* Ex. L. Further, invoices 1201021, 1202023, 1203019, and 1204020 clearly itemize tasks performed by a third-party technician engaged to perform duties limited to technical issues, which provide a basis for recovery under § 1920. *See supra* Part III.B.2, pp. 5–7. It is improper for Kelora to request disallowance of such costs in their entirety, when even Kelora does not dispute such costs. *See* Case No. 11-1548, ECF No. 516, at 7:16–8:14.

8. HP

HP supported its Bill of Costs with a declaration from its attorney attaching the actual invoices from HP’s e-discovery vendor. *See* Ex. M. HP’s Bill of Costs is larger than most other Defendants’ Bills of Costs because Kelora sought discovery for multiple independent HP websites

1 (see Case No. 11-1548, ECF No. 437).

2 Kelora's arguments specific to HP's Bill of Costs are found at Case No. 11-1548, ECF No.
3 519, at 7:13–8:21. Most of Kelora's arguments are addressed in the common sections of this
4 Opposition explaining why e-discovery costs are recoverable, including any costs associated with
5 documents that ultimately were not actually produced to Kelora (see *supra* Part III.B.3, pp. 7–8),
6 costs (e.g., for "Load File Preparation" and "Electronic Document Conversion") necessary to
7 comply with Kelora's requested document production format (see *supra* Part II.B, pp. 3–4; Part
8 III.B.4, pp. 8–9), and costs (e.g., for "Data Processing") incurred by e-discovery vendors for
9 "physical preparation" (see *supra* Part III.B.2, pp. 5–7).

10 Kelora also argues that the invoices and attorney declaration supplied by HP lack sufficient
11 detail. To the contrary, the invoices supplied by HP are the *actual* invoices that it *actually* paid for
12 e-discovery, and thus those invoices are "[a]ppropriate documentation" to support HP's requested
13 costs. See *supra* Part III.C, pp. 13–16.

14 Moreover, HP submitted several invoices that include line items for specific costs that Kelora
15 does not specifically dispute, but nevertheless, requests the Court to disallow in their entirety. For
16 example, the 21109003 Invoice includes a line item for "Production Data Set Processing." See Ex.
17 M. It is improper for Kelora to request disallowance of such costs in their entirety, when even
18 Kelora does not dispute such costs. See Case No. 11-1548, ECF No. 519, at 7:16–8:14.

19 **9. Office Depot**

20 Office Depot supported its Bill of Costs with a declaration from its attorney attaching the
21 actual invoices from Office Depot's e-discovery vendor. See Ex. N. Kelora's arguments specific to
22 Office Depot's Bill of Costs are found at Case No. 11-1548, ECF No. 521, at 7:17–8:24. Most of
23 Kelora's arguments are addressed in the common sections of this Opposition explaining why e-
24 discovery costs are recoverable, including any costs associated with documents that ultimately were
25 not actually produced to Kelora (see *supra* Part III.B.3, pp. 7–8), costs (e.g., for "One Time Data
26 Loading") necessary to comply with Kelora's requested document production format (see *supra* Part
27 II.B, pp. 3–4; Part III.B.4, pp. 8–9), and costs (e.g., for "Data Processing") incurred by e-discovery
28 vendors for "physical preparation" (see *supra* Part III.B.2, pp. 5–7).

1 Kelora also argues that the invoices and attorney declaration supplied by Office Depot lack
2 sufficient detail. To the contrary, the invoices supplied by Office Depot are the **actual** invoices that
3 it **actually** paid for e-discovery, and thus those invoices are “[a]ppropriate documentation” to support
4 Office Depot’s requested costs. *See supra* Part III.C, pp. 13–16.

5 Moreover, Office Depot submitted several invoices that include line items for specific costs
6 that Kelora does not specifically dispute, but nevertheless, requests the Court to disallow in their
7 entirety. For example, the 21108071 Invoice includes a line item for “Convert tagged documents to
8 TIFF images.” Ex. N. It is improper for Kelora to request disallowance of such costs in their
9 entirety, when even Kelora does not dispute such costs. *See* Case No. 11-1548, ECF No. 521, at
10 7:20–8:17.

11 **10. Target**

12 Target supported its Bill of Costs with a declaration from its attorney attaching the actual
13 invoices from Target’s e-discovery vendor. *See* Ex. O. Kelora’s arguments specific to Target’s Bill
14 of Costs are found at Case No. 11-1548, ECF No. 515, at 7:16–8:11. Most of Kelora’s arguments
15 are addressed in the common sections of this Opposition explaining why e-discovery costs are
16 recoverable, including any costs associated with documents that ultimately were not actually
17 produced to Kelora (*see supra* Part III.B.3, pp. 7–8), costs (e.g., for “Process Data – Output
18 (Images)”) necessary to comply with Kelora’s requested document production format (*see supra* Part
19 II.B, pp. 3–4; Part III.B.4, pp. 8–9), and costs (e.g., for “deduplication”) incurred by e-discovery
20 vendors for “physical preparation” (*see supra* Part III.B.2, pp. 5–7). Kelora also argues that the
21 invoices and attorney declaration supplied by Target lack sufficient detail. To the contrary, the
22 invoices supplied by Target are the **actual** invoices that it **actually** paid for e-discovery, and thus
23 those invoices are “[a]ppropriate documentation” to support Target’s requested costs. *See supra*
24 Part III.C, pp. 13–16.

25 **IV. CONCLUSION**

26 For all of these reasons, Kelora’s motions to review the Clerk’s taxation of costs should be
27 DENIED, with the exception that Newegg concedes that the costs taxed in its favor should be
28 reduced by \$225.20, as set forth in the proposed order.

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3 Dated: October 24, 2012

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1 **SIGNATURE ATTESTATION**

2 Pursuant to General Order No. 45(X)(B), I hereby certify that concurrence in the filing of this
3 document has been obtained from each of the other signatories shown above.

4
5 _____/s/ Theodore W. Chandler
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EXHIBITS

- Ex. A: Model E-Discovery Order adopted by the Federal Circuit Advisory Council (2011), available at <<http://www.caafc.uscourts.gov/the-court/advisory-council.html>>
- Ex. B: Kelora's Requests for Production Nos. 1–93 to eBay (Apr. 25 to May 13, 2011)
- Ex. C: Kelora's Requests for Production Nos. 1–53 to Dell (May 20, 2011)
- Ex. D: **eBay**: Declaration of Bill Gallivan in support of eBay's Bill of Costs (June 6, 2012), available at Chandler Decl. Ex. E-1 (June 6, 2012) [Case No. 10-4947, ECF No. 161 at Pages 115–17]
- Ex. E: **eBay/Microsoft**: Excerpts from the Declaration of Theodore W. Chandler in support of eBay and Microsoft's Bills of Costs (June 6, 2012) [Case No. 10-4947, ECF No. 161]
- Ex. F: **Microsoft**: Declaration of Peter Uhlenhake in support of Microsoft's Bill of Costs (Aug. 6, 2012)
- Ex. G: **Cabela's**: Declaration of Gregory P. Sitrick in support of Cabela's Bill of Costs (Aug. 13, 2012) [Case No. 11-1398, ECF Nos. 142–49]
- Ex. H: **Dell**: Excerpts from the Declaration of Wonjoo Suh in support of Dell's Bill of Costs (June 6, 2012) [Case No. 11-1548, ECF No. 487]
- Ex. I: **Dell**: Declaration of Peter Uhlenhake in support of Dell's Bill of Costs (Aug. 6, 2012)
- Ex. J: **Newegg**: Excerpts from the Declaration of Kent E. Baldauf, Jr. in support of Newegg's Bill of Costs (June 6, 2012) [Case No. 11-1548, ECF No. 488]
- Ex. K: **Amazon, Audible, Zappos**: Excerpts from the Declaration of Dan D. Davison in support of Amazon.com, Audible.com, and Zappos.com's Bills of Costs (June 6, 2012) [Case No. 11-1548, ECF No. 489]
- Ex. L: **Costco**: Excerpts from the Declaration of Dan D. Davison in support of Costco's Bill of Costs (June 6, 2012) [Case No. 11-1548, ECF No. 490]
- Ex. M: **HP**: Excerpts from the Declaration of Dan D. Davison in support of HP's Bill of Costs (June 6, 2012) [Case No. 11-1548, ECF No. 491]
- Ex. N: **Office Depot**: Excerpts from the Declaration of Dan D. Davison in support of Office Depot's Bill of Costs (June 6, 2012) [Case No. 11-1548, ECF No. 492]
- Ex. O: **Target**: Excerpts from the Declaration of Dan D. Davison in support of Target's Bill of Costs (June 6, 2012) [Case No. 11-1548, ECF No. 493]
- Ex. P: Order on Costs in *LG Elecs., Inc. v. Bizcom Elecs., Inc.*, No. 01-1375, ECF No. 968 (N.D. Cal. July 21, 2005) (Wilken, J.)
- Ex. Q: Brief of Manatt, Phelps & Phillips, LLP (counsel for Kelora in this case) in support of its Bill of Costs in *Parrish v. Manatt, Phelps & Phillips, LLP*, No. 10-3200, ECF No. 97 (N.D. Cal. Mar. 24, 2011)